

Message Text

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ACTION EA-14

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TO SECSTATE WASHDC 9297

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USLO PEKING

TUEHTP/AMEMBASSY TAIPEI 5959

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C O N F I D E N T I A L HONG KONG 711

NOFORN

E.O. 11652: GDS

TAGS: ETRD CH HK US

SUBJECT: NUCLEAR POWER REACTOR SALES

REF: STATE 4653; HK 388: HK A-311, 12/21/73

SUMMARY:

GENERAL ELECTRIC REPRESENTATIVE, DURING JANUARY 14 CONVERSATION RE GE'S APPLICATION FOR AEC APPROVAL TO MAKE PROPOSAL TO PRC, COMMENTED THAT SPECIFICATIONS OF THE PLANT THE PRC DESIRES SUGGEST THAT IT IS INTENDED FOR SOUTH CHINA, PERHAPS FOR THE NEARBY CANTON AREA, AND GE HAS ADVANCED SEVERAL REASONS WHY A JOINT HKG-PRC EFFORT IS PLAUSIBLE. THERE IS NO EVIDENCE TO DATE, HOWEVER, TO SUGGEST THAT EITHER THE PRC OR THE HKG ARE MOVING TOWARD A JOINT VENTURE. THE HKG MAY HAVE JUST BEGUN TO LOOK AT THE POSSIBILITY OF NUCLEAR POWER, AND IT PROBABLY WILL NOT HAVE A DEFINITIVE VIEW CONCERNING A JOINT VENTURE WITH THE PRC UNTIL IT HAS A CLEARER FIX ON POSSIBILITY OF PLACING AND OPERATING A PLANT HERE IN HONG KONG. END

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SUMMARY.

1. MR. PETER CARTWRIGHT, MARKETING MANAGER FOR FAR EAST AND WESTERN HEMISPHERE, NUCLEAR ENERGY DIVISION OF GENERAL ELECTRIC, FLEW TO HONG KONG FROM THE UNITED STATES ON JANUARY 14, SPECIFICALLY TO DISCUSS WITH "INTERESTED PARTIES" NUCLEAR POWER POSSIBILITIES FOR THIS AREA. HE TOLD THE CONGEN THAT GE HAD BEEN FULLY APPRISED BY STATE OF HIGH LEVEL OF CONSIDERATION GIVEN BY USG TO QUESTION OF PROPOSED NUCLEAR POWER PLANT FOR PRC, AND HE SEEMED APPRECIATIVE. NEVERTHELESS, HE DISPLAYED A SENSE OF URGENCY ABOUT A GOVERNMENT DECISION OR AT LEAST A GO-MPSGD SIGNAL FOR NEGOTIATIONS WITH PRC. HE SAID FLATLY THAT COMPETITION FROM CANADA OR SWEDEN WOULD DO THE JOB IF US FIRM DID NOT. HE SUGGESTED THAT SINCE PRC IS NUCLEAR WEAPON POSSESSING NATION, CANADA COULD PROBABLY SELL PLANT TO CHINA WITHOUT VIOLATION OF COCOM RULES. HE POINTED OUT THAT SWEDEN IS NOT A SIGNATORY TO NON-PROLIFERATION TREATY, HAS EXCELLENT TECHNOLOGY, AND CLOSE CONNECTIONS IN CHINA THROUGH LARGE SALES OF ELECTRIC EQUIPMENT.

2. CARTWRIGHT ALSO POINTED OUT THAT CHINA HAD SET A TIMETABLE FOR DEVELOPMENT OF NUCLEAR POWER GENERATION AND THAT A LONG DELAY IN US DECISION MIGHT THREATEN THOSE PLANS AND CAUSE HER TO LOOK TO CANADA OR SWEDEN EVEN WHEN US COMPANIES WERE PREFERRED. HE SAID THAT CHINA PLANNED FOR NUCLEAR "ENRICHMENT NEEDS" IN

1977 AND FOR COMPLETION OF TWO 675 MEGAWATT PLANTS IN 1979. HE SAID THAT, FURTHERMORE, NEGOTIATIONS MIGHT WELL PRODUCE CHINESE AGREEMENT TO OBSERVE INTERNATIONAL SAFEGUARDS, INCLUDING INSPECTION.

3. CARTWRIGHT SUGGESTED THAT CHINA WOULD NOT GAIN ADVANTAGE FOR ITS MILITARY POSTURE BY HAVING NUCLEAR POWER PLANT. HE EXPLAINED THAT WHILE PLUTONIUM COULD BE EXTRACTED FROM A NUCLEAR PLANT, CHINA ALREADY HAD AMPLE, EASIER AND MORE ECONOMICAL SOURCES OF PLUTONIUM.

4. CARTWRIGHT SEEMED TO FAVOR MAINLAND AS A SITE FOR
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NUCLEAR POWER GENERATION SERVING HONGKONG/CANTON AREA.
HE MADE FOLLOWING POINTS IN THAT CONNECTION:

A. HONG KONG DOES NOT HAVE SPACE THAT IS SUITABLE AND ECONOMICAL FOR ATOMIC PLANT. FLOATING PLANTS, SEA BED PLANTS, AND PLANTS BURIED IN MOUNTAINS ARE MORE EXPENSIVE THAN THOSE BUILT ON PLAINS.

B. MAINLAND, BECAUSE OF SHEER SIZE AND NUMBER OF PERSONNEL, WOULD BE IN BETTER POSITION TO TAKE ON

ATOMIC ENERGY PROGRAM THAN WOULD HONG KONG. HE ADDED THAT BRITISH WOULD BE OF LITTLE HELP TO HONG KONG, GIVEN THEIR OWN CURRENT PROBLEMS IN POWER ADMINISTRATION AND NUCLEAR GENERATION.

C. PROXIMITY OF CANTON TO WEST (THROUGH HONG KONG) AND LOCATION AWAY FROM MORE SENSITIVE AREAS OF PRC, WOULD MAKE CANTON SITE PLAUSIBLE FOR DEVELOPING COOPERATION BETWEEN US AND CHINA IN NUCLEAR POWER FIELD.

5. HONG KONG GOVERNMENT INTEREST IN POSSIBLE NUCLEAR POWER PLANT HAS GROWN AS RESULT OF OIL CRISIS (A-330), AND WE UNDERSTAND HKG HAS REQUESTED LARGER OF TWO POWER COMPANIES TO BEGIN FEASIBILITY STUDY; ENGINEER IS PLANNING TO VISIT GE IN US LATER THIS MONTH. (SAME POWER GROUP, HOWEVER, IS ALSO EXPLORING POSSIBILITY OF OBTAINING COAL OR OIL FROM PRC TO COVER ON COMING INCREMENTAL REQUIREMENTS.) HKG AND POWER COMPANIES WILL NEED TO CONSIDER A NUMBER OF TROUBLESOME QUESTIONS (SITING, ENVIRONMENTAL IMPACT, COORDINATION OF GOVERNMENT AND POWER COMPANY RIGHTS, COSTS), AND WE DOUBT EVEN PRELIMINARY HKG DECISION LIKELY FOR SEVERAL MONTHS AT LEAST.

6. RATHER THAN BITE THIS NUCLEAR BULWALK, HKG AND POWER COMPANIES MAY PREFER TO TAKE CHANCES WITH CONTINUED DEPENDENCE ON OIL (OR TO FALL BACK ON COAL) PARTICULARLY IF PRC CAN SUPPLY. HKG WOULD DOUBTLESS BE WILLING TO PERMIT POWER COMPANIES TO PURCHASE POWER FROM PRC IF THIS WERE REQUIRED TO MEET LOCAL DEMAND. THERE IS NO EVIDENCE TO DATE, HOWEVER, TO INDICATE THAT EITHER PRC OR HKG ARE ACTIVELY CONSIDERING A JOINT EFFORT TO PRODUCE NUCLEAR POWER.

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7. RELATIONS BETWEEN HKG AND PRC IN GENERAL HAVE BEEN MUTUALLY SATISFACTORY IN RECENT YEARS AND LIKELY TO SO CONTINUE FOR FORESEEABLE FUTURE. HONG KONG HAS BENEFITED FOR SEVERAL YEARS FROM PRC SUPPLY OF WATER, AND MORE RECENTLY FROM INCREASED PRC SALES OF KEROSENE AND LIGHT DIESEL FUEL ARRANGED TO MEET CURRENT OIL SHORTAGE. HKG, THEREFORE, MAY NOT FEAR PROSPECT OF RELYING ON PRC FOR PART OF POWER NEEDS AT FUTURE DATE. FAVORABLE USG DECISION REGARDING POSSIBLE SALE OF NUCLEAR PLANT TO PRC PROBABLY WOULD BE ADDITIVE FACTOR IN PERSUADING HKG IT COULD RELY ON PRC POWER. WE DOUBT, HOWEVER, THAT A DEFINITIVE HKG VIEW WILL BE FORTHCOMING UNTIL THE FEASIBILITY OF A NUCLEAR PLANT FOR HONG KONG HAS BEEN EXPLORED.

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